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August 8, 2006

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Keauhou, Hawaii 96739

Re: Docket No. 05-0315 - Application for Approval of Rate Increases and Revised Rate Schedules and Rules

Dear Parties and Participants:

Sections 111(d)(14) and 112(b)(4) of the Public Utility Regulatory Policies Act of 1978 ("PURPA"), as amended by the Energy Policy Act of 2005, require the Commission to commence consideration of the following matters governing time-based metering and communications no later than August 8, 2006:<sup>1</sup>

<sup>1</sup>Section 102(a) of PURPA states:

This chapter applies to each electric utility in any calendar year, and to each proceeding relating to each electric utility in such year, if the total sales of electric energy by such utility for purposes other than resale exceeded 500 million kilowatt-hours during any calendar year beginning after December 31, 1975, and before the immediately preceding calendar year.

16 U.S.C. § 2612(a).

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. . . [E]ach electric utility shall offer each of its customer classes, and provide individual customers upon customer request, a time-based rate schedule under which the rate charged by the electric utility varies during different time periods and reflects the variance, if any, in the utility's costs of generating and purchasing electricity at the wholesale level. The time-based rate schedule shall enable the electric consumer to manage energy use and cost through advanced metering and communications technology.

. . . The types of time-based rate schedules that may be offered under the schedule . . . include, among others—

(i) time-of-use pricing whereby electricity prices are set for a specific time period on an advance or forward basis, typically not changing more often than twice a year, based on the utility's cost of generating and/or purchasing such electricity at the wholesale level for the benefit of the consumer. Prices paid for energy consumed during these periods shall be pre-established and known to consumers in advance of such consumption, allowing them to vary their demand and usage in response to such prices and manage their energy costs by shifting usage to a lower cost period or reducing their consumption overall;

(ii) critical peak pricing whereby time-of-use prices are in effect except for certain peak days, when prices may reflect the costs of generating and/or purchasing electricity at the wholesale level and when consumers may receive additional discounts for reducing peak period energy consumption;

(iii) real-time pricing whereby electricity prices are set for a specific time period on an advanced or forward basis, reflecting the utility's cost of generating and/or purchasing electricity at the wholesale level, and may change as often as hourly; and

(iv) credits for consumers with large loads who enter into pre-established peak load reduction agreements that reduce a utility's planned capacity obligations.

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. . . Each electric utility . . . shall provide each customer requesting a time-based rate with a time-based meter capable of enabling the utility and customer to offer and receive such rate, respectively.

. . . .

16 U.S.C. § 2621(d)(14). See also 16 U.S.C. § 2622(b)(4).

Please provide a statement describing your position, if any, on whether the commission should adopt, modify, or decline to adopt in whole or part, the standards articulated above, as well as procedural comments and suggestions as to how this issue should be considered in this docket or in a separate proceeding. Your position statements, if any, should be filed in this docket by September 1, 2006.

Should you have any questions on this matter, please do not hesitate to contact the undersigned at 586-2047.

Sincerely,



Benedyne S. Stone  
Commission Counsel

BSS:skd:sl

c: Dean Matsuura  
Thomas W. Williams, Jr., Esq./Peter Y. Kikuta, Esq.